

PROPOSED ORDER OF SQF, LLC

**BEFORE THE
PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
DOCKET NO. 2017-308-C – ORDER NO. 2018-_____**

APPLICATION OF SQF, LLC)	
FOR A CERTIFICATE OF PUBLIC CONVENIENCE)	ORDER GRANTING
AND NECESSITY TO PROVIDE FACILITIES-BASED)	CERTIFICATE
LOCAL EXCHANGE SERVICE AND FOR)	AND APPROVING
FLEXIBLE REGULATION OF ITS)	FLEXIBLE
LOCAL EXCHANGE SERVICES)	REGULATION

This matter came before the Public Service Commission of South Carolina (“Commission”) by way of the Application of SQF, LLC (“Applicant” or “the Company”) requesting a Certificate of Public Convenience and Necessity authorizing it to provide Facilities-based Local Exchange Telecommunications Service within the State of South Carolina. The Company’s Application was filed pursuant to S. C. Code Ann. § 58-9-280(B), the rules and regulations of the Commission, and Section 253 of the Telecommunications Act of 1996. By its Application, the Company also requests flexible regulation of its local exchange services consistent with Commission orders, and waiver of certain Commission regulations.

The Commission’s Clerk’s Office instructed the Company to publish, one time, a Notice of Filing in a newspaper of general circulation in the areas of the state affected by the Application. The purpose of the Notice of Filing was to inform interested parties of the Application of the Company and of the manner and time in which to file the appropriate pleadings for the participation in the proceeding. The Applicant complied with the instruction and provided the Commission with proofs of publication of the Notice of Filing. A Petition to intervene was filed by the South Carolina Telephone Coalition (“SCTC”). Subsequent to the intervention, the Company and SCTC reached a Stipulation, attached hereto as Order Exhibit 1.

On January 3, 2018, Lessie Hammonds, counsel for the South Carolina Office of

Regulatory Staff (“ORS”), filed a letter with the Commission stating that it had reviewed the Application and did not oppose the Commission granting the Application. The ORS also sought to be permitted to be excused from the hearing in the Docket. The Applicant did not object to the ORS request. The Hearing Examiner granted the ORS request to be excused from the hearing by Directive dated January 4, 2018.

A hearing was convened on January 8, 2018 at 10:30 am in the offices of the Commission in Columbia, South Carolina, before Josh Minges, Hearing Examiner. SQF was represented by Charles L.A. Terreni. The SCTC did not appear at the hearing. As noted, ORS requested to be excused from the hearing and did not appear.

Timothy Schneider, General Counsel of the Company, testified via video conference in support of the Company’s Application.¹ The record shows that the Company is a limited liability company (“LLC”) organized under the laws of the State of Maine, and that it is authorized to transact business in the State of South Carolina as a foreign LLC.

According to Mr. Schneider, the Company seeks authority to act as a provider of facilities-based local exchange services. Mr. Schneider explained the Company’s request for authority and discussed the Company’s services, operations, and marketing procedures. The Company intends to provide service initially to a limited number of business customers, including wireless carriers and other service providers. The Company will offer transport, backhaul, and broadband data services and other voice and data services as well as other infrastructure utilized by carriers. Mr. Schneider also indicated through his testimony that while SQF does not intend to provide services to residential customers initially, it would like to reserve the ability do so in the future. Mr.

¹ Mr. Schneider was granted leave to present his testimony remotely by audio-visual connection.

Schneider also discussed the Company's technical, financial, and managerial resources to provide the services for which it seeks authority.

With regard to technical, financial, and managerial capabilities, the Company's Application and Mr. Schneider's testimony both evidence that the Company's management has extensive experience in telecommunications, information technology, regulatory matters, and accounting and finance. The Company maintains a toll-free customer service line, and customers may also contact SQF's Administrator by phone directly or via email as well. Mr. Schneider also testified that the Company will operate in accordance with Commission rules, regulations, guidelines and Commission orders. Mr. Schneider averred that approval of the Company's Application was in the public interest.

The Company requests a waiver of S.C. Code Reg. 103-610, because the Company's books are maintained in the State of Maine, and waiver of any Commission policy that would require it to maintain its books under the Uniform System of Accounts ("USOA") method. The Company uses Generally Accepted Accounting Principles ("GAAP") to maintain its books. Therefore, according the Company, it would create a hardship to maintain a separate accounting system.

The Company also requested waiver of the requirement of S.C. Code Reg. 103-607 that it file a bond or security because it is financially secure and does not intend to serve retail residential customers. Mr. Schneider testified that the Company will notify the Commission and the ORS before extending service to retail residential customers and will post a bond or security in such amount as be required.

After consideration of the applicable law, the Company's Application, and the evidence presented at the hearing, and the Hearing Officer's recommendation, the Commission hereby

issues its Findings of Fact and Conclusions of Law:

FINDINGS OF FACT

1. Applicant is organized as a limited liability company (“LLC”) under the laws of the State of Maine, and is authorized to do business in South Carolina by the Secretary of State as a foreign LLC.

2. Applicant desires to operate as a provider of facilities-based local exchange services in South Carolina.

3. We find that the Applicant possesses the managerial, technical and financial experience and capability to operate as a provider of facilities-based local exchange services in South Carolina.

4. We find that the issuance of a Certificate of Public Convenience and Necessity to the Applicant to operate as a facilities-based provider of local exchange telecommunications services in South Carolina would be in the best interest of the citizens of South Carolina by providing more competition, greater innovation, and an improvement in available services.

5. The Company requests a waiver of S.C. Code of Reg. 103-610’s requirement that it maintain its books in South Carolina and for waiver of any Commission policy that would require it to maintain its books under the USOA. The Commission finds that the Company’s requested waivers are reasonable and understands the potential difficulty presented to the Company should the waivers not be granted. Further, we find that a waiver of 10 S.C. Code Reg. 103-610 to be in the public interest. We also believe that exemption from the policies that would require the Company to keep its records under the USOA is reasonable.

6. Because the Company does not initially intend to provide retail residential local

exchange services, we find that it is appropriate and reasonable to waive 10 S.C. Code Reg. 103-607. Should the Company offer residential local exchange services in the future in South Carolina, we it must notify the Commission and the ORS and comply with such requirements as may be imposed at that time.

7. The Commission finds that the Company has the managerial, technical, and financial resources to provide the telecommunications services described in its Application. S.C. Code Ann. Section 58-9-280(B)(1).

8. The Commission finds that the Company’s “provision of service will not adversely impact the availability of affordable local exchange service.” S.C. Code Ann. Section 58-9-280(B)(3).

9. The Commission finds that Company will support universally available telephone service at affordable rates. S.C. Code Ann. Section 58-9-280(B)(4).

10. The Commission finds that services to be provided by the Company will meet the service standards of the Commission. S.C. Code Ann. Section 58-9-280(B)(2).

11. The Commission finds that the provision of local exchange service by the Company “does not otherwise adversely impact the public interest.” S.C. Code Ann. Section 58-9-280(B)(5).

12. Following execution of a Stipulation with intervenor SCTC, the SCTC withdrew its opposition to the Application.

13. The ORS was permitted to be excused from the hearing and the fact that it did not oppose the grant of the Application herein is duly noted.

CONCLUSIONS OF LAW

1. The Commission concludes that the Company possesses the managerial, technical, and financial resources to provide the telecommunications services as described in its Application.

2. The Commission concludes that the Company will participate in the support of universally available telephone service at affordable rates to the extent that the Company may be required to do so by the Commission.

3. The Commission concludes that the Company will provide services which will meet the service standards of the Commission.

4. The Commission concludes that approval of the Company's Application to provide facilities-based local exchange telecommunications services within South Carolina will serve the public interest by providing for efficient use of existing telecommunications resources.

5. The Commission concludes that the provision of telecommunications service by the Company will not adversely impact the public interest.

6. The Commission concludes that the issuance of the authority to provide facilities-based local exchange telecommunications services as requested by the Applicant and as set forth in its Application and Mr. Schneider's testimony is in the best interest of the citizens of the State of South Carolina.

7. The Commission concludes that a Certificate of Public Convenience and Necessity should be granted to the Applicant to provide facilities-based local exchange telecommunications services.

8. The Commission concludes that the Company's local exchange telecommunications services shall be regulated in accordance with the principles and procedures

established for flexible regulation first granted in Docket No. 97-467-C and by Order No. 98-165. Specifically, the Commission adopts for the Company's competitive intrastate local exchange services a rate structure incorporating maximum rate levels with the flexibility for adjustment below the maximum rate levels approved by the Commission. Further, the Company's local exchange service tariff filings are presumed valid upon filing. An investigation of the tariff filing may be instituted within thirty (30) days of the tariff filing, in which case the tariff filing would be suspended pending further order of the Commission. The notice is timely if dated within thirty (30) days of the filing date. Further, any such tariff filings will be subject to the same monitoring process as similarly situated local exchange carriers.

9. We conclude that the Company's request for waiver of 103 S.C. Code Reg. 103-610 should be granted, because strict compliance with the regulation potentially causes undue hardship on the Company. We also grant exemption from the policies requiring the use of the USOA, and grant waiver of the bond or security requirements of S.C. Code. Reg. 103-607.

10. The Stipulation between the Company and the SCTC should be approved.

IT IS THEREFORE ORDERED, ADJUDGED, AND DECREED THAT:

1. A Certificate of Public Convenience and Necessity should be granted to the Company to provide facilities-based local exchange telecommunications services within the State of South Carolina.

2. The regulatory treatment adopted for the Company's services shall conform to the design described in the Conclusions of Law above.

3. If it has not already done so, the Company shall file its revised tariff utilizing the Commission's e-filing system for tariffs within thirty (30) days of the issuance of this Order. The

revised tariff should be electronically filed in a text-searchable PDF format using the Commission's DMS system (<http://dms.psc.sc.gov>). An additional copy should be sent via email to etariff@psc.sc.gov to be included in the Commission's ETariff System (<http://etariff.psc.sc.gov>). Future revisions to the tariff should be made using the ETariff System. The revised tariff shall be consistent with the findings of this Order and shall be consistent with the Commission's Rules and Regulations.

4. The Company shall file annual financial information in the form of annual reports and gross receipts reports as required by the Commission. The annual report and the gross receipt report will necessitate the filing of intrastate information. Therefore, the Company shall keep financial records on an intrastate basis for South Carolina to comply with the annual report and gross receipts filings. The proper form for filing annual financial information can be found at the ORS website at www.regulatorystaff.sc.gov. The title of this form is "Telecommunications Company Annual Report." This form shall be utilized by the Company to file annual financial information with the Commission and ORS and shall be filed no later than April 1st.

5. Commission gross receipts forms are due to be filed with the Commission and ORS no later than August 31st of each year. The proper form for filing gross receipts information can be found at the ORS website at www.regulatorystaff.sc.gov, and the appropriate form is entitled "Gross Receipts Form."

6. Each telecommunications company certified in South Carolina is required to file annually with the ORS the Intrastate Universal Service Fund ("USF") worksheet, which may be found on the ORS's website at www.regulatorystaff.sc.gov. This worksheet provides ORS information required to determine each telecommunications company's liability to the State USF

fund. The Intrastate USF worksheet is due to be filed annually no later than July 1st with the Commission and ORS.

7. The Company shall, in compliance with Commission regulations, designate and maintain an authorized utility representative who is prepared to discuss, on a regulatory level, customer relations (complaint) matters, engineering operations, tests, and repairs. In addition, the Company shall provide to the Commission and ORS in writing the name of the authorized representative to be contacted in connection with general management duties as well as emergencies which occur during non-office hours. The Company shall file the names, addresses, and telephone numbers of these representatives with the Commission within thirty (30) days of receipt of this Order. The “Authorized Utility Representative Information” form can be found at www.psc.sc.gov/reference/forms.asp; this form shall be utilized for the provision of this information to the Commission and ORS. Further, the Company shall promptly notify the Commission and ORS in writing if the representatives are replaced.

8. The Company is directed to comply with all rules and regulations of the Commission, unless a regulation is specifically waived by the Commission.

9. The Company requested a waiver of 10 S.C. Code Reg. 103-610, which requires that records required by the Commission’s Rules and Regulations be maintained in South Carolina. The Commission finds the Company’s requested waiver reasonable and understands the potential difficulty presented to the Company should the waiver not be granted. The Commission therefore grants the requested waiver. However, the Company shall make available its books and records at all reasonable times upon request by ORS, and the Company shall promptly notify the Commission and ORS if the location of its books and records changes. Further, the Commission acknowledges

that the Company shall maintain its financial records in conformance with GAAP. Finally, we waive the requirement that the Company file a bond or security pursuant to S.C. Code Reg. 103-607 until such time as the Company provides retail residential local exchange service in South Carolina.

10. In the event that the Company offers or provides any service that would implicate Title 23, Chapter 47 of the South Carolina Code Annotated, the Company is required to comply with that Title and Chapter, which governs the establishment and implementation of a “Public Safety Communications Center,” which is more commonly known as a “911” system or “911 service.” Services available through a 911 system include law enforcement, fire, and emergency medical services. In recognition of the necessity of quality 911 services being provided to the citizens of South Carolina, in the event that the Company offers or provides the appropriate services, the Commission hereby instructs the Company to contact the appropriate authorities regarding 911 service in the counties and cities where the Company will be operating, should the Company become interconnected to the public switched telephone network. Contact with the appropriate 911 service authorities is to be made before beginning local exchange telephone service in South Carolina. Located on the homepage of this Commission’s website at www.psc.sc.gov is a “Quick Link” column. One of the tabs in this column is called “E-911 Information.” Clicking on this tab will provide a list of county and city E-911 coordinators with contact information. By this Order and prior to providing voice or dialtone services in South Carolina, the Company shall contact the 911 coordinator in each county (and city where the city has its own 911 system) and shall provide information regarding the Company’s operations as required by the 911 system.

11. The Stipulation with SCTC is hereby approved and incorporated as part of this Order.

12. This Order shall remain in full force and effect until further order of the Commission.

BY ORDER OF THE COMMISSION:

Swain E. Whitfield, Chairman

ATTEST:

Comer H. “Randy” Randall, Vice-Chairman